



Investors Technical Advisory Committee

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Via Email

February 15, 2008

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Statement 140 Projects

Dear Chairman Herz,

At its January 15, 2008 meeting, the Investors Technical Advisory Committee¹ discussed the FASB's possible reconsideration of the accounting for securitization transactions as governed by Statement 140. This letter summarizes the pertinent matters of our discussion and our recommendations.

The general consensus of the ITAC: the reporting of securitization transactions currently provided to investors has significant deficiencies, and has contributed to uncertainty and volatility in the capital markets. Accordingly, we applaud and support efforts of the FASB to improve financial transparency that will allow investors to make fully informed and timely decisions.

We understand that the FASB is considering a short-term project which would remove "Qualifying Special Purpose Entities (QSPEs)" from the derecognition language in paragraph 9 of Statement 140. The project also contemplates the concurrent application of Interpretation 46R to financial instrument transfers at the date of transfer. This treatment could lead to fewer asset transfers recognized as sales; instead, they might be presented as securitized borrowings. The members of ITAC find that result to generally be a more realistic representation of the securitization transaction economics, and a more suitable framework for the evaluation of its risk/rewards attributes.

The ITAC is concerned, however, that the FASB's planned efforts to reform Statement 140 and securitization accounting related to QSPEs will ultimately be inadequate. Short-term repairs to Statement 140 will do nothing to address the issue of structured investment vehicles (SIVs) and other similar asset-backed securitization transactions that are not effected through a QSPE (e.g., many ABCP transactions), most of which did not

¹ This letter represents the views of the ITAC and does not necessarily represent the views of its individual members, the organizations by which they are employed. ITAC views are developed by the members of the Committee independent of the views of the FASB and its staff. For more information about the ITAC, including a listing of the current members and the organizations in which they are employed, see http://www.fasb.org/investors_technical_advisory_committee/itac_members.shtml



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exist on the balance sheets of companies that have originated them and have benefited from their borrowing activities. We believe investors have not been provided with meaningful information about potential risks associated with such activities – partly attributable to the insufficient balance sheet accounting for them despite the application of Interpretation 46R, and partly attributable to the lack of full-throated disclosures. Such vehicles have been the cause of much market tumult over the last six months, and there appears to be a substantial lack of transparency surrounding them. In retrospect, the sponsors have retained substantial risks in many of these transactions, while providing only limited disclosures to investors regarding their off-balance sheet activities. ITAC believes that the consolidation provisions of Interpretation 46R may be applicable to such entities, but the principles-based aspects of that standard have not been applied particularly well in practice. These vehicles escaped consolidation and as consequence, important investor information was deficient. There are, however, so few known facts about SIVs that it is not possible to draw firm conclusions. The ITAC strongly urges the FASB to also take up the issue of SIV and similar non-QSPE securitization accounting as it develops a replacement for Statement 140.

We note there has been significant media and investor criticism of the permissive and opaque reporting of off-balance sheet transactions. In some instances, this lack of transparency may have been more the result of a lack of compliance with FASB standards than with the laxity of the standards themselves. Nonetheless, we believe it is now time for the FASB to show leadership and develop in a timely manner a standard that provides full transparency for the accounting, as well as the disclosure of such transactions. As mentioned above for securitized borrowings, we believe it is time the financial statements reflect the underlying economics of these transactions. We also note others have called for such reform, including the chair of the FASB's congressional oversight subcommittee. We will be keenly observing the political situation: it is our genuine hope that it does not impede the Board's progress in this crucial reform effort.

We also understand that the FASB is giving consideration to a "linked presentation" model regarding securitizations. As always, we stand ready to offer our views as the project develops.

Thank you for your consideration of our proposal, which we view as critical in strengthening investor confidence in financial reporting. If you need further information or require additional information, please feel free to contact the undersigned or any other member of ITAC.

Sincerely,



Investors Technical Advisory Committee
By: Jack Ciesielski, Member